

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:7377

ANSWERED ON:12.05.2000

FOREIGN SUBSIDIARIES IN NON-BANKING FINANCIAL INSTITUTIONS

V. SAROJA

Will the Minister of FINANCE be pleased to state:

- (a) Whether the Government have decided to allow foreign firms to set up subsidiaries in Non-Banking Financial Institutions;
- (b) If so, the details thereof;
- (c) Whether any foreign firm has shown interest in setting up of subsidiaries; and
- (d) If so, the details thereof?

Answer

Minister of State in the Ministry of Finance (Balasaheb Vikhe Patil)

(a) & (b): As per the guidelines for foreign equity investment in Non Banking Finance Companies, setting up of subsidiary is permitted with 51% or above foreign equity. For 51% foreign equity, a minimum capitalisation of US \$ 0.5 million and for up to 75% foreign equity, a minimum capitalisation of US \$ 5 million is required.

Where the foreign equity is more than 75%, the minimum capitalisation would be US\$ 50 million and the 100% foreign owned NBFC would act as a holding company and specific activity would be undertaken by step down subsidiaries with minimum 25% domestic equity. It has been decided to grant permission to such a holding company to set up a 100% down stream subsidiary with a minimum capital of US\$ 5 million. Such a subsidiary, however, would have to disinvest its equity to the minimum extent of 25% through a public offering only, within a period of 3 years.

(c) & (d): A large number of subsidiaries with 51% foreign equity investment or above have been set up in NBFC sector.